

OPEGA Recommendation for Project Direction

Maine State Housing Authority

Background

The Government Oversight Committee (GOC) first considered a review of the Maine State Housing Authority (MaineHousing) at its February 4, 2011 meeting and moved the topic to OPEGA's work plan at its October 18, 2011 meeting.

OPEGA was not expecting to begin work on this review until at least March 2012. However, at the January 27, 2012 GOC meeting, the Chairs asked the Committee to consider moving a limited piece of the MaineHousing review to a rapid response project, due to a great deal of publicity surrounding certain MaineHousing expenditures and vendors. The Committee voted unanimously to authorize OPEGA to undertake this work. OPEGA completed this rapid response review and presented its findings at the May 25, 2012 GOC meeting.

OPEGA conducted preliminary research for the current, broader review from the end of July to the beginning of September 2012. The focus has been on gaining a general understanding of MaineHousing's operations and programs, learning what questions or concerns exist about the Authority, and reviewing prior audits or studies of MaineHousing or its peers in other states. Our work has included:

- reviewing potential issues noted from OPEGA's earlier Rapid Response Review of MaineHousing's expenditures;
- obtaining input from the MaineHousing Board of Commissioners;
- reviewing and summarizing unsolicited comments and concerns that were submitted to OPEGA;
- analyzing MaineHousing's expenditure data;
- reviewing publicly available reports and plans produced by MaineHousing, including the Government Evaluation Act report;
- reviewing statutes, rules, and policies related to the Authority;
- reviewing the recent legislative history of the Authority;
- soliciting perspectives from legislators, including members of the Legislature's Labor, Commerce, Research and Economic Development Committee;
- reviewing publicly available information describing MaineHousing's mission;
- reviewing MaineHousing's organizational chart;
- gaining a general understanding of MaineHousing's programs and processes;
- reviewing historical committee information obtained from the legislative Office of Policy and Legal Analysis and Office of Fiscal and Program Review; and
- gathering information from reviews of housing authorities in other states and prior reviews of MaineHousing in Maine;

Several concerns or areas of interest were readily identified from these sources. Consequently, OPEGA did not spend the additional resources to undertake a comprehensive risk assessment of MaineHousing in search of additional potential risks and concerns that might be worthwhile to review.

Summary of Preliminary Research and Analysis

Overview of the Maine State Housing Authority

The Maine State Housing Authority was created by the Legislature in 1969 as a public body corporate and politic and an instrumentality of the state to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. MaineHousing has a Board of Commissioners consisting of ten individuals, eight of whom must be appointed by the Governor in accordance with statutory criteria. The appointments are subject to review by the joint standing committee of the Legislature having authority over economic development, and confirmation by the Legislature. The ninth commissioner is the Treasurer of State who serves as an ex officio voting member. The tenth commissioner is the director of MaineHousing who serves as an ex officio nonvoting member.

MaineHousing pays for its operating costs through a combination of resources generated from lending activities and administrative fees paid to MaineHousing from federal programs administered by the authority. No State General Fund money is used to pay MaineHousing personnel or operating costs.

MaineHousing's stated mission is to "assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs." To achieve its mission, the Authority not only finances affordable housing, but also administers several federal housing-related programs on behalf of the State. MaineHousing administers programs that can be categorized as follows:

Home Buying Assistance: MaineHousing provides low-interest rate loans and other assistance to help make homeownership affordable and achievable for low to moderate-income homebuyers.

Home Improvement: MaineHousing offers several programs to help lower income homeowners with their home improvement needs by providing grants or low cost loans for health and safety related repairs and improvements.

Homeless Assistance: MaineHousing's homeless assistance programs finance emergency shelters, offer rental assistance to people who are homeless and working toward self-sufficiency, and provide assistance with security deposits.

Rental Assistance: The Section 8 Housing Choice Voucher Program provides rental assistance to income-eligible tenants by subsidizing a portion of their monthly rents and paying it directly to their landlords.

Energy Assistance: MaineHousing's energy assistance programs assist people who cannot afford to heat their homes or pay their electric bills (LIHEAP) and who would benefit from energy efficiency improvements (Weatherization).

Housing Development: MaineHousing offers a variety of programs to finance development of affordable housing, including low income housing tax credits, development loans, direct development subsidies, and affordable housing tax increment financing.

Additionally, MaineHousing has undertaken a Carbon Credit Project in which the Authority has developed the tools to measure, report, and sell investment grade carbon savings from home energy retrofits.

Areas of Interest

During preliminary research, OPEGA heard about numerous areas of interest or concern from both solicited and unsolicited sources. A majority of the comments and concerns were generally encompassed in the following areas:

- Housing Developments: Costs and Cost Drivers
- Selection and Oversight of Contractors
- Information Technology Expenditures
- Weatherization Program Process and Administration
- The Carbon Credit Project

OPEGA conducted further research into these specific areas to identify potential review topics that may be valuable uses of OPEGA's resources for further work. Additional information surrounding these areas includes the following:

- The Carbon Credit Project: OPEGA noted concerns about the level of expenditures associated with the project, the project's connection to MaineHousing's mission, and its overall profitability. This program is currently being shelved per the advice of MaineHousing's Carbon Quantification Project Coordinator as the project is not likely to be profitable in the near future.
- Information Technology Expenditures: The MaineHousing Board of Commissioners has recently authorized an audit, to be conducted by an outside consulting firm, of the expenditures associated with two of MaineHousing's computer applications which constitute a large percentage of IT expenditures.
- Contractor Selection and Oversight: OPEGA noted concerns about how some of MaineHousing's vendors and contractors were selected. As a quasi-governmental agency, MaineHousing will need to become compliant with the new legislation governing contracting practices by quasi-governmental agencies. Concerns noted in this area should be addressed by compliance with the legislation.
- Weatherization Program Process and Administration: Several concerns and questions were expressed to OPEGA regarding this program including effective administration of the program to ensure quality, program results and how the applicants are prioritized. MaineHousing received an ARRA Weatherization grant totaling approximately \$48 million

from July 2009 through June 2012. In 2011, 2,799 low-income homes and apartments were weatherized with a value to clients of \$18.1 million. Maine's funding for weatherization is reverting back to pre-ARRA levels: approximately \$6.3 million in FY12. OPEGA is not aware of any proposed changes to the Weatherization Program at this time.

- **Housing Development Costs and Cost Drivers:** OPEGA noted several concerns related to housing development policies and costs, particularly factors driving costs such as policy decisions, non-housing developer requirements, process issues, and the rehabilitation of old buildings. In 2011, 401 new, affordable rental units were completed for families and seniors, as well as 11 units for people with special needs and 33 units for people who are homeless. These projects had a total cost of \$74,845,913 with MaineHousing providing a subsidy of \$26,696,760. MaineHousing's Board of Commissioners has recently changed the Qualified Allocation Plan (QAP) addressing development costs, including a new category for total development costs as the highest scoring category in the QAP, the elimination of green building standards, and other category amendments.

OPEGA Recommendation

There have been significant changes in governance, management and some policies at MaineHousing since the GOC first put this review on OPEGA's Work Plan. MaineHousing's Board of Commissioners continues to be active in understanding and addressing certain areas of concern and exercising the additional authority that was granted to it in legislation passed in the spring of 2012.

These recent and on-going changes, MaineHousing's efforts to become compliant with the newly enacted requirements for quasi-independent state entities, and the Board's current level of oversight would seem to limit the value of a detailed OPEGA review of many of the areas of interest identified at this time. In fact, the changes made in the governance and management of the Authority are so significant that the GOC may wish to consider whether it would be appropriate to discontinue further detailed review of MaineHousing at this time, and instead place the Authority on the On Deck list to revisit for a possible review at a future time when the recent policy and management changes have been fully implemented.

If the GOC desires to continue with a review of MaineHousing, it will be necessary to focus the review on a specific program, function or activity in order to complete the project in a reasonable timeframe. Of the areas of interest noted during preliminary research, OPEGA would suggest reviewing the Weatherization Program with a focus on the question:

Is the weatherization program achieving satisfactory results? If not, why not? If so, what are the primary factors contributing to its success?

The Weatherization Program is currently expected to continue into the future and has yet to be examined by the Board of Commissioners. A successful weatherization program should bring multiple benefits to the low-income citizens it serves and advance State energy efficiency goals overall. It is a more defined program than some of the other areas of concern, which should allow OPEGA to complete the review more timely than some of the topics with greater complexity.

OPEGA also sees potential for a focus on this program and question to touch on several other areas of concern noted, i.e. how weatherization results are being quantified toward carbon credits, computer systems related to these efforts, quality of workmanship, customer satisfaction and accountability. If the administration and delivery mechanisms for this program are similar to other MaineHousing programs, then any issues identified and recommendations made could have positive implications for those other programs as well.

OPEGA expects this suggested review could be completed by the end of the first quarter 2013.